

ABSTRACT

A system, method and computer program for creating and valuing financial instruments (including but not limited to futures, forwards, call options, put options, swaps, “swaptions”, and “op-swaps”) linked to published real estate indices. The present invention will be referred to in this application as a real estate index linked financial instrument, and is defined as a financial instrument whose value changes based on movements in underlying indices based on real estate prices. These indices are published by sovereign governments, government-chartered agencies and departments (such as Fannie Mae, Freddie Mac, Office of Management and Budget, and the Treasury Department in the U.S.), non-governmental organizations, commercial banks, investment banks, realty agencies and many other organizations. The instruments can be written, with a published index number from any real estate index or indices as the initial value upon which the financial instrument’s terms are based. The predicted future value of the real estate index or indices will change in response to market buy / sell demand based on investor expectations of the predicted future value of the real estate index or indices related to one or more real estate index linked financial instrument(s). Thus, the predicted future value of the index or indices will change in response to the market demand as investors offer to buy and / or sell real estate index linked financial instruments which will be listed on securities exchanges and electronic commerce networks (ECNs) as well as over the counter (OTC) and in private transactions. Each predicted future index value will change based on the investor expectation of how strong demand will be for the underlying real estate market upon which each index or indices are based. Thus, the present invention gives investors a means of taking or adjusting positions upon price movements in local, city, regional, state, national, or multinational / international real estate markets. It is important to note that real estate index linked financial instruments can be created either in standardized contract sizes that can be traded on futures, options or other securities exchanges, ECNs and / or OTC, or can be customized to meet the specifications of a transactional counterparty which wishes to speculate on movements in local, city, regional, state, national, or multinational / international real estate prices. Such instruments may also be created from a plurality of indices, thus allowing an investor to package movements from several different real estate indices into a single financial instrument. Such instruments may also involve a combination of real estate index linked financial instruments, either with each

- 1 other or with other financial instruments in a combination containing at least one real estate
- 2 index linked financial instrument.